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November 14, 2018

The Honorable Ben Hueso
303 H Street, Suite 200
Chula Vista, CA 91910

Dear Senator Hueso,

By now you have heard the news that Mayor Falconer has opted to move forward with the formation of a Community Choice Aggregation (CCA) plan to serve the City of San Diego. The conversations between SDG&E and the City of San Diego team were informative, cordial, and we attempted to develop a good plan to meet the City's needs but were ultimately unable to find a solution. The biggest barrier to a suitable plan was tied to the fact that the City wanted a structure where they did not have any financial or administrative obligations. In the end we could not find a plan that would ensure that the City's goals were fulfilled while also ensuring that the ratepayers in the other cities in our service area would not be subsidizing any potential costs associated with the City of San Diego CCA and thus getting CPUC approval would have been difficult.

We have committed to the Mayor that we will be committed to and focused on helping the City develop specific projects that will reduce GhG impacts and help them achieve their reduction targets set within the City's Climate Action Plan.

The Mayor has also announced that he will form a Joint Powers Agreement (JPA) to coincide with the launch of the CCA and his intention is to ask other cities to join the JPA so that a larger CCA can be created. Currently, we are aware of the fact that Encinitas, Del Mar, Carlsbad, and La Mesa are discussing the merits of forming a CCA and thus it makes sense that the Mayor will approach these specific cities with an invite to join the JPA.

Since this announcement, SDG&E has begun to look ahead at what our energy supply requirements will be within the next few years. If the Mayor is successful at enticing more cities to join the JPA, then the number of cities we are buying energy for will be shrinking. The City of San Diego consumes approximately 40% of the energy supply we procure and thus when you start adding in other cities to their effort our energy supply procurement duties will shrink even further. President Picker has made several public statements that he expects a large portion of the state's ratepayers to, ultimately, be served by CCA's in the near future.

With this in mind, we would like to begin discussions with you and your colleagues in the SDG&E delegation about introducing legislation that would allow us to begin planning a glide-path out of the energy procurement space. With the passage of Senate Bill 100 we are expected to begin procuring energy and signing contracts that will allow us to meet the 60% renewable energy

mandate by 2030 and then ultimately finding additional clean resources to meet the 100% mandate by 2045. Signing contracts that are 10 and 20 years in length while the cities are discussing the possibility of joining together to buy their energy from a CCA provider will be tricky to say the least and thus we are looking at what the best options are for the near future related to our efforts. Having a glide-path out of the energy procurement space will not impact the other responsibilities and duties we currently have as the local utility. We will still enhance and operate the grid and we will still be tasked with the implementation of the other mandates tied to energy storage, electric vehicle charging, and the integration of other new energy technologies and grid enhancements like biogas and micro grids, but our energy procurement responsibilities would ultimately shrink to none under the structure of a glide-path agreement.

Our entire SDG&E team is proud of the fact that we are the leader amongst the state's utilities with regard to renewable energy and every day, all customers in our service area are assured of the fact that approximately 45% of their energy demands are being fulfilled using resources from wind and solar projects. We will continue to align our focus with the state's clean energy objectives and we will continue to focus on finding the best methods to enable the use of the growing market of energy technologies. At this point, we believe it prudent to begin the glide-path discussions with you and the other members of our Sacramento delegation as soon as possible in order to prepare for the future.

I look forward to meeting with you to discuss your thoughts and the potential next steps.

Sincerely,

A handwritten signature in blue ink that reads "Eugene Mitchell". The signature is fluid and cursive, with "Eugene" on the top line and "Mitchell" on the bottom line.

Eugene "Mitch" Mitchell
VP – State Government Affairs & External & State Legislative Affairs
San Diego Gas & Electric